

## Condo Smarts

Headline: Interest revenue on special levies

Topic: Special Levies, Contracts

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**Dear Tony:** Our strata corporation has just issued its final accounting report on a special levy that was collected over 2 years for a major building upgrade. The account collected 3.8 million dollars and shows every strata lot owner as paid; however, there was a significant delay between the payments and contracting and owners are demanding to know why there is no interest generated. Our original resolution approved in 2016 required the council to invest the special levy into term deposits so we could compensate for inflation. We also noted several owners were charged interest at a rate of 10% annually when they paid their installments late. None of this interest is shown and no one is disclosing where the funds were invested. We have found out that as part of our contract, the interest collected was paid to our management company in addition to a 3% fee to administer the project. How do we find out how much interest was generated?

*Kevin W. Surrey*

**Dear Kevin:** The *Strata Property Act* clearly defines how interest is managed, how it is reported, where it must be deposited and how fees are approved. In addition to interest generated from investments of special levy funds, a strata corporation may charge a rate of interest that does not exceed 10% annually. The rate is calculated monthly and compounded annually. This may be approved in either a bylaw or as part of a special levy resolution.

When interest is generated as part of the late payment of special levies that interest forms part of the special levy. Any interest earned by the special levy investment or late payment of fees becomes part of the reported income and expenditures of the special levy. In addition to the financial statement showing the revenues of the special levy of the strata corporation as part of the

annual financial report, the interest will generate a tax statement which forms part of the tax return that includes the financial statement updated to the end of the fiscal year. Owners may request copies of the bank statements and investment certificates for all accounts of the strata corporation, including special levy accounts, and may request a copy of the annual income tax return and the financial statement. Both types of interest generated from these sources must be shown.

If the strata corporation has contracted to pay a share of interest from either a special levy or a contingency reserve account to their management company, that amount must be approved by the owners at a general meeting by a  $\frac{3}{4}$  vote if the funds are paid directly from the special levy or contingency fund, or by a majority vote if the funds are paid from the operating fund. Bluntly put, no one gets to quietly contract a skimming of interest funds from the contingency fund or special levy fund without reporting the fee to the owners and obtaining their approval for the payment. A strata management contract does not override the  $\frac{3}{4}$  vote requirements for approval of special levy expenses or contingency expenses.

If your strata corporation or management company does not provide disclosure of the fees and interest calculated and paid out, 20% your owners may either file a petition demanding a special general meeting to address this matter or any owner may file a complaint with the Civil Resolution Tribunal to obtain and order for provision of the records. Go to [civilresolutionbc.ca](http://civilresolutionbc.ca) to file a claim.